



NORTHERN ILLINOIS UNIVERSITY FOUNDATION



# GUIDE TO SMART GIVING

## PLANNED GIVING STRATEGY GUIDE





## WELCOME

Planned giving donors demonstrate a commitment to moving NIU forward through the eras. When you make a planned gift to the NIU Foundation it has an impact far beyond your lifetime. Your gift transforms the NIU experience, inspires discovery and innovation, and becomes the cornerstone to sustain NIU.

## OUR APPROACH

You know why you're dedicated.

We're here to listen.

Our responsibility is to be thought-partners who can help you navigate opportunities to strengthen Huskies. Providing them access to resources and tools to be continuously relentless in their pursuit of greatness. We are the resource to help you achieve your goals. We will connect you with faculty and staff to help you locate opportunities.

We have the knowledge and experience to educate you on planned gifts and collaborate with your advisors to generate a plan. Together, we will design and refine a gift plan that unleashes Huskies so they never quit.

Planned gifts benefit NIU and the NIU Foundation by providing a sustainable future through: unrestricted funds, tuitions savings and well-being resources for students, research funding, and capital improvements.

Your benefits from planned gifts: income generation, income tax avoidance, income tax deductions, capital gains tax avoidance, capital gains tax deductions, reduced estate and gift taxes, and easy transfer of generational wealth.



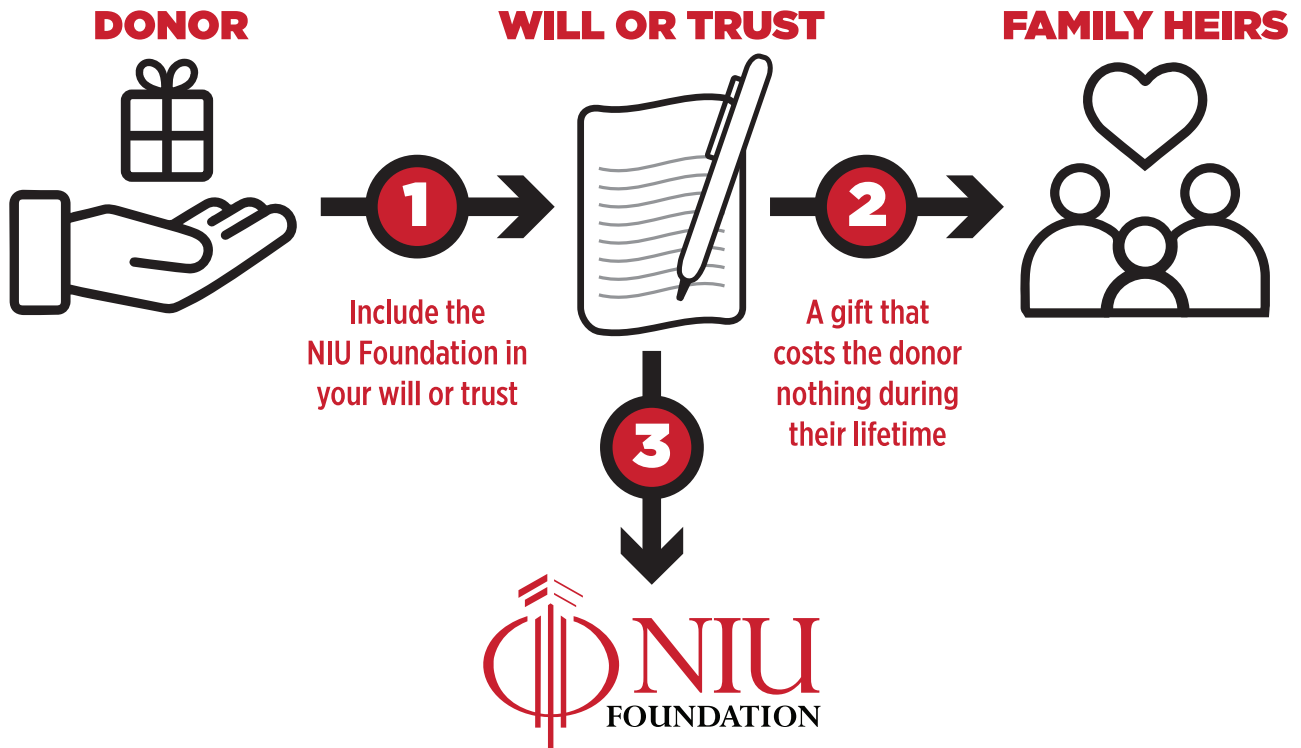


# FOUNDATIONAL GIFTS





## BEQUEST FROM A WILL OR LIVING TRUST



### GIFT CATEGORY: Gifts Anyone Can Make

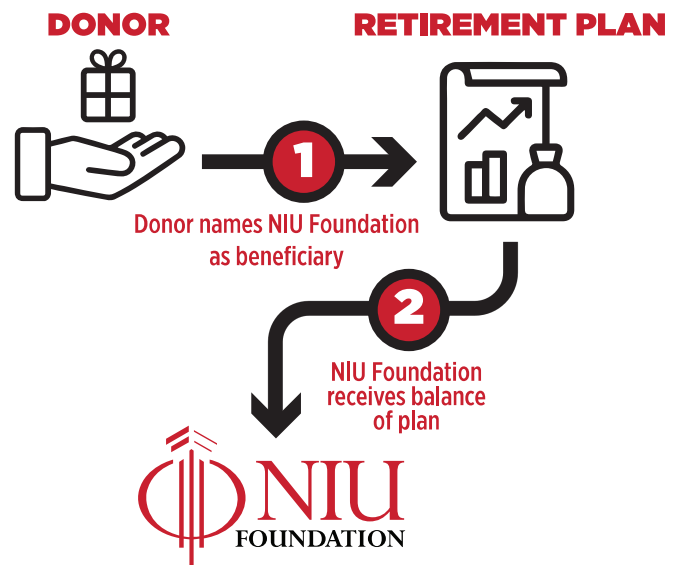
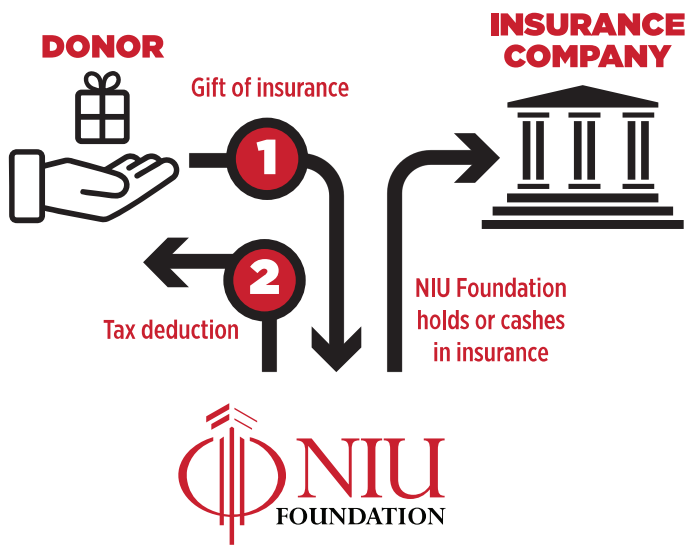
#### SUMMARY:

- You may gift NIU Foundation a specific dollar amount, a specific asset, or a percentage of your net estate value.
- You may change the dollar amount, specific asset, or the percentage of net estate value designated to the NIU Foundation for any reason and at any time.

#### BENEFITS:

- Reduces estate tax liability.
- Revocable nature of bequests allows donors flexibility to change their gift as other life events arise.
- Costs nothing to a donor during their lifetime.

## BENEFICIARY DESIGNATION



### GIFT CATEGORY: Gifts Anyone Can Make

#### SUMMARY:

Beneficiary designation is naming a person the beneficiary of a retirement account, life insurance policy, or other asset directly on the beneficiary declaration page of the asset.

#### Retirement Plans

- Distribution of an IRA (or other qualified retirement plan) balance may be subject to income and/or inheritance taxes. This taxation could consume up to 70% of the value of the distribution. Donating these plans to charity reduces potential double taxation to heirs.
- You may continue to make withdrawals from your plan during your lifetime.
- You may donate 100% or less of your retirement plan assets to the NIU Foundation.

#### Life Insurance

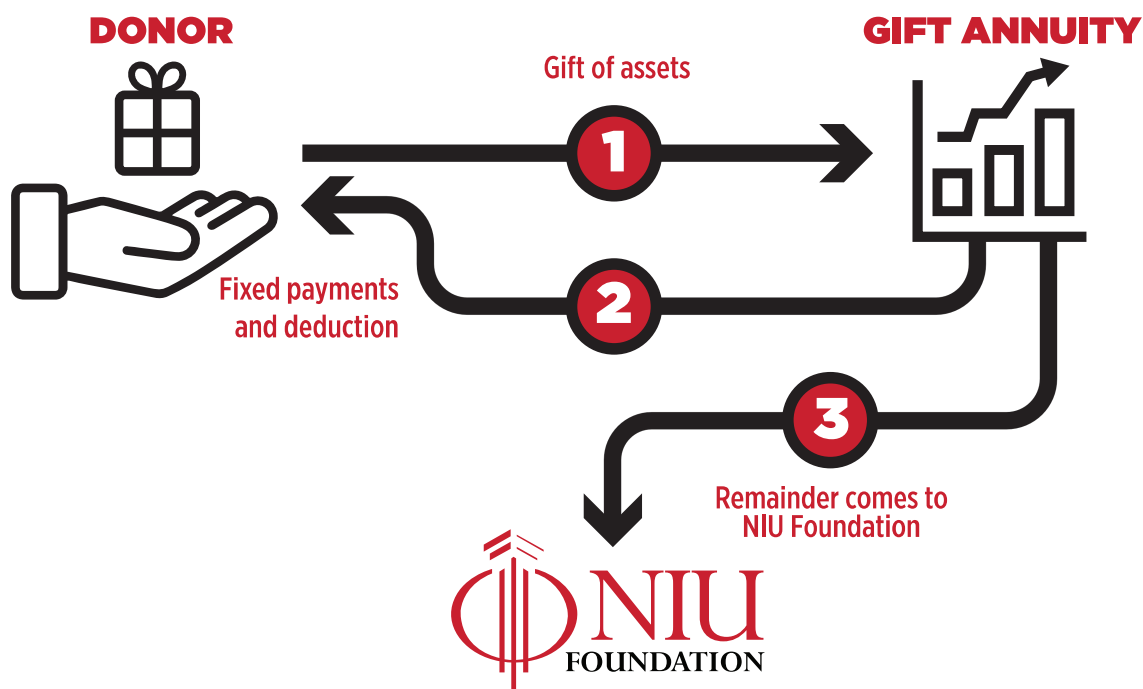
- You receive a charitable deduction for the cash surrender value or paid-up value of the policy.
- Gifts to the NIU Foundation to cover additional premium payments may provide additional charitable deductions.



# INCOME- GENERATING GIFTS



## CHARITABLE GIFT ANNUITY



### GIFT CATEGORY: Income Generation

#### SUMMARY:

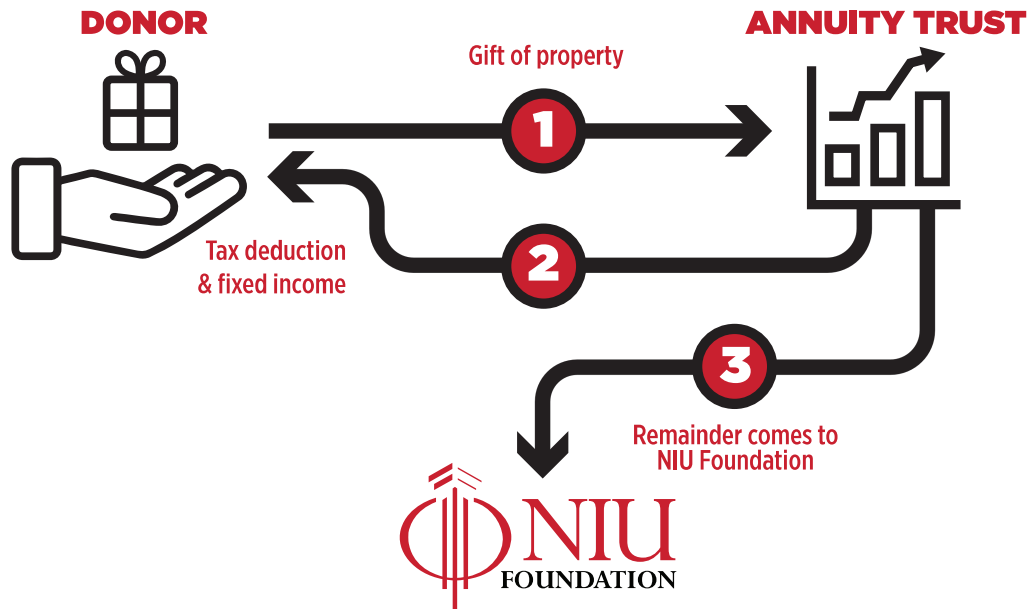
- The Charitable Gift Annuity is the most popular income-generating gift for donors.
- Payments are fixed and run for the lifetime of two beneficiaries.
- Payout rate is set by the American Council on Gift Annuities and is based on age.
- Payments are backed by the full faith and strength of the NIU Foundation.
- A simple contract between the donor and the NIU Foundation that ensures the foundation will pay the donor over the course of their lifetime.
- Donors may use cash, stock, bonds, retirement accounts, or other appreciated assets to fund the charitable gift annuity.

#### BENEFITS:

- Replaces, and potentially increases, cash flow for donors during retirement years.
- Donor receives charitable income tax deduction for gift portion of the annuity.
  - Gift portion is based on the fair market value of assets contributed to fund the annuity minus the income portion of the gift.
- Using appreciated securities to fund a gift annuity avoids upfront capital gains taxes.
- Part of the donor's income payments are tax-free.
  - With a portion being tax-free, capital gains tax being avoided upfront, and receiving a tax deduction, the net payout amount is high.



## CHARITABLE REMAINDER ANNUITY TRUST



### GIFT CATEGORY: Income Generation

#### SUMMARY:

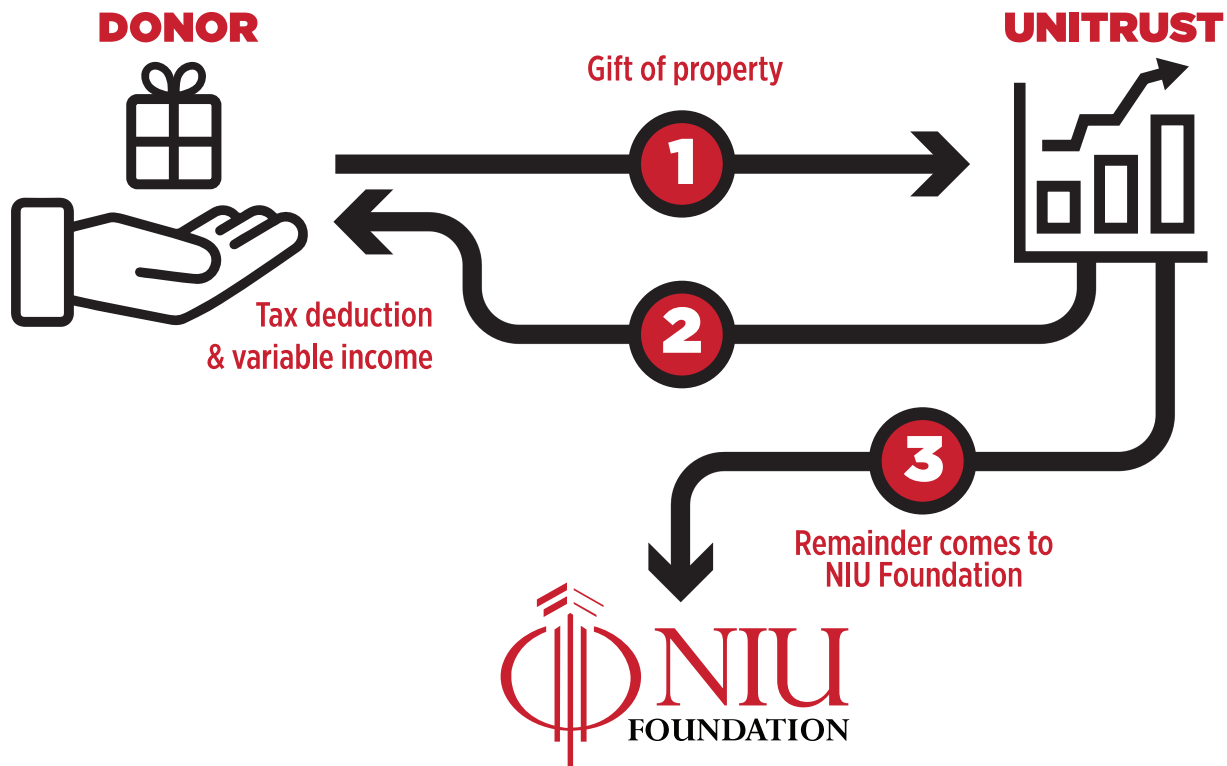
- Trust pays the donor a fixed amount for their lifetime, a fixed number of years (up to 20) or a combination of lifetime and set term.
- Payments may not be less than 5% of the initial value of the trust.
- Charitable deduction is based on the market value of the contributed assets minus the present value of the estimated annuity income payments back to the donor.
- Estimated charitable remainder must equal at least 10% of the initial contributed value to qualify for tax benefits.

#### BENEFITS:

- Generates an income stream while deferring or eliminating capital gains taxes and reducing inheritance taxes.
- Income payment never fluctuates.
- No upfront capital gains tax is applied to contributions of appreciated property.
- Growth of trust value is not taxed and grows tax-deferred.
- Allows for more beneficiaries than a charitable gift annuity.
- Charitable deduction is based on 3 factors: payout rate, number of beneficiaries, and beneficiaries' life expectancy.
  - The higher the payout rate, the lower the deduction.
  - The fewer income beneficiaries, the greater the deduction.



## CHARITABLE REMAINDER UNITRUST



### GIFT CATEGORY: Income Generation

#### SUMMARY:

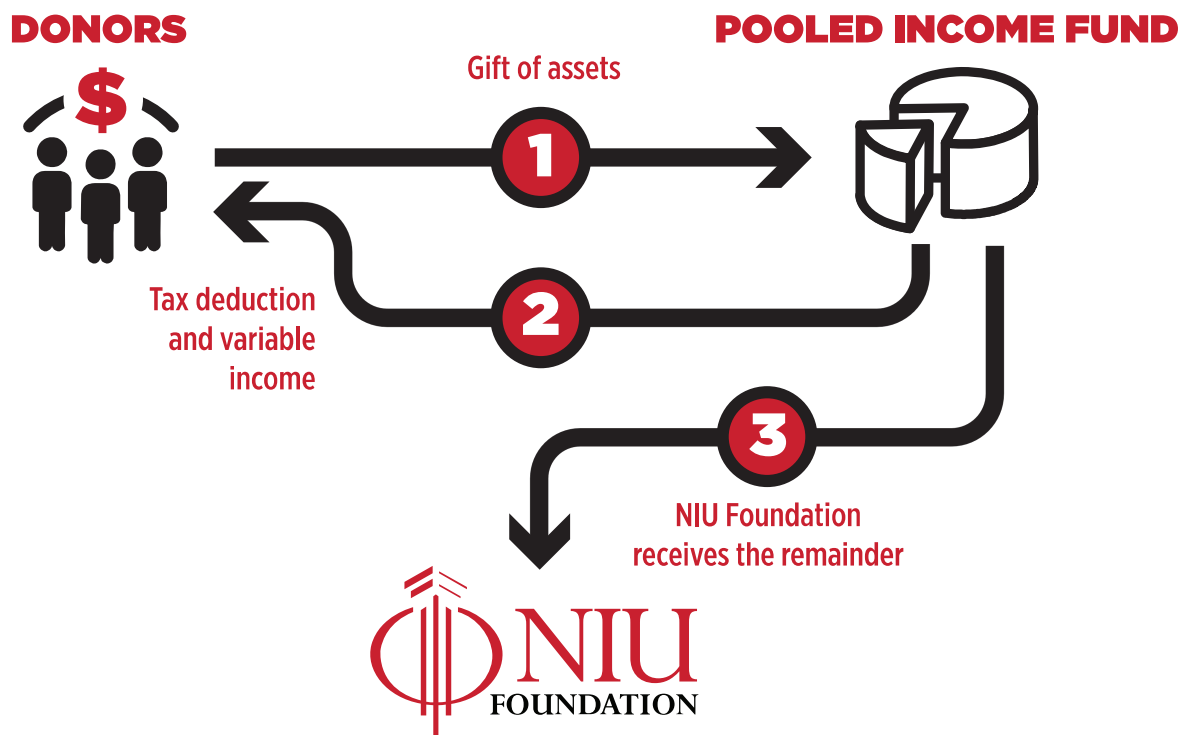
- Pays the donor a fixed percentage of the principal value; trust revalued annually.
- Payments can be made for single-life or dual-life terms for either a lifetime or up to 20 years.
- Estimated charitable remainder cannot be less than 10%.
- Donor payout rate cannot be less than 5%.
- Charitable deduction is based on the market value of the assets at the time of contribution minus the present value of the income payments the donor is set to receive.

#### BENEFITS:

- Most flexible life-income gift available.
- You may make additional tax-deductible gifts to a unitrust.
- Income potentially increases.
- You may receive an income tax deduction for a portion of the value of the assets transferred and the value of assets moved to the trust are removed from your taxable estate.



## POOLED INCOME FUND



### GIFT CATEGORY: Income Generation

#### SUMMARY:

- Works like a mutual fund by pooling and investing donations.
- Gifts of cash or securities from multiple donors are combined, then invested, and managed together in one fund.
- The fund pays the pool of donors their proportional share of net income.
- Investors may choose a designated beneficiary, which may be themselves, to receive payments.
- When the beneficiary passes away, that donor's proportional shares are given to the NIU Foundation.

#### BENEFITS:

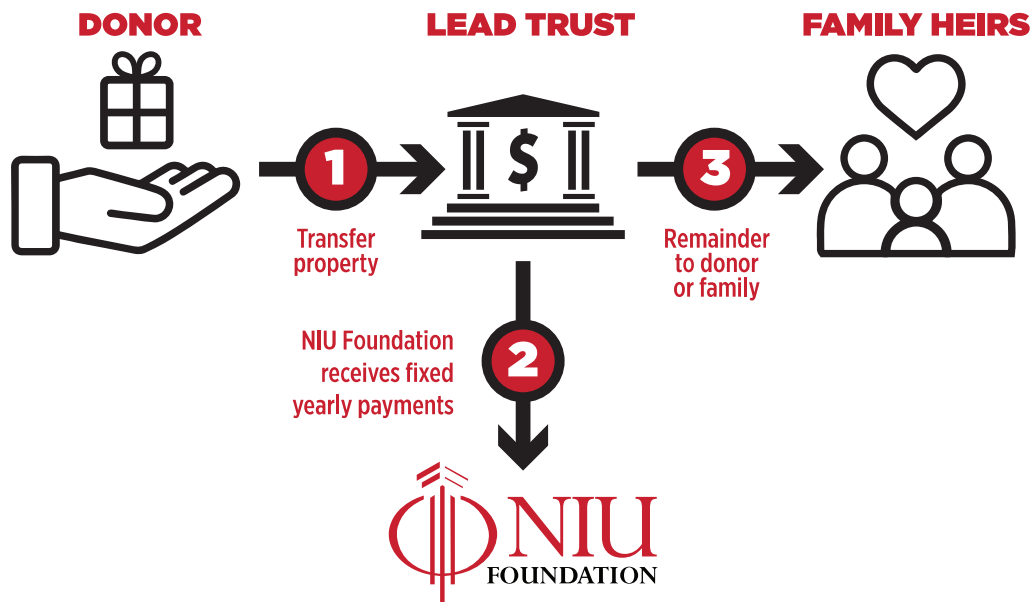
- Donor receives charitable income tax deduction based on the fair market value of assets contributed to fund minus the present value of the life income interest retained in the agreement.
- Pay no capital gains tax on appreciated assets contributed to the fund.
- Payments may be set for one or more beneficiaries.

# ASSET PROTECTION GIFTS





## CHARITABLE LEAD TRUST



### GIFT CATEGORY: Asset Protection

#### SUMMARY:

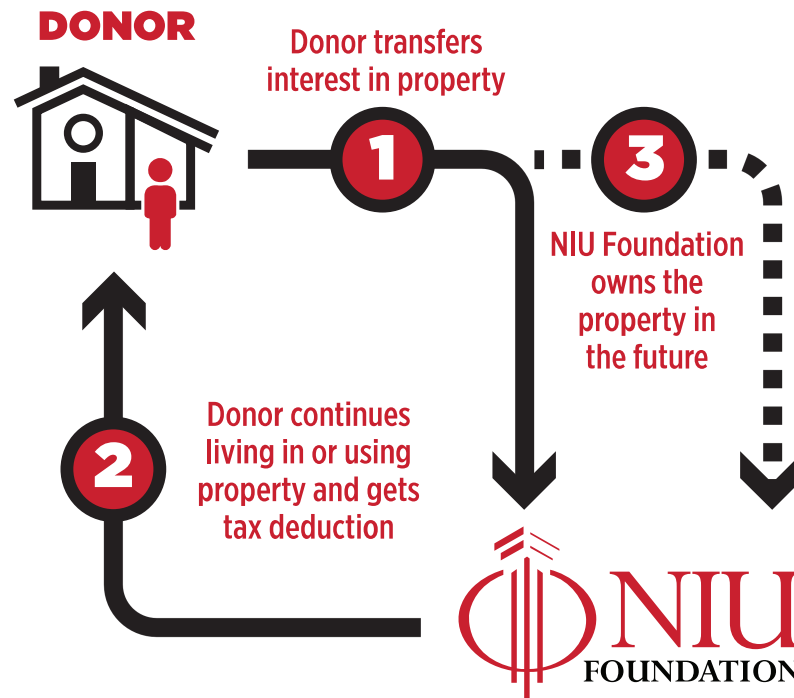
- Trust makes payments to the NIU Foundation first. Any remaining assets in the trust are passed to the donor's family or other designated beneficiaries.
- Can be created during a donor's lifetime or through a will and run a term of years or for the donor's living years.
- The IRS uses a formula based on current interest rates to determine the taxable value of the non-charitable remainder interest in the lead trust. When interest rates are low, the taxable value is lower. When interest rates are high, the taxable value is higher.

#### BENEFITS:

- Great protection for any appreciating asset(s).
- Generates immediate tax savings.
- Lowers the estate and gift tax costs of passing assets to heirs.
  - Taxable value of the asset(s) may be reduced by the present value of the income stream the trust provides to the charitable organization.
  - Asset value will be fixed, for gift tax purposes, at the time the donor establishes the trust. Any increase in asset value after the trust is established passes to beneficiaries free of estate and gift taxes.
- Beneficiaries may receive more through an estate plan that includes a lead trust.



## RETAINED LIFE ESTATE



### GIFT CATEGORY: Asset Protection

#### SUMMARY:

- Deed your home, land or vacation property to the NIU Foundation.
- Retain the right to live in or use the property for life or for a term of years.
- If you move out or discontinue use of the property before the end of the term, then you may receive an additional tax-deductible gift for the remainder of the life interest.
- You are responsible for property taxes, structural maintenance and upkeep.
- If the property carries a mortgage and the foundation still accepts the gift, the amount of debt relieved becomes taxable income to the donor.
- Qualified appraisal to determine the fair market value must be obtained.
- Additional deductions are available for capital improvements made to the property not covered by NIU Foundation.

#### BENEFITS:

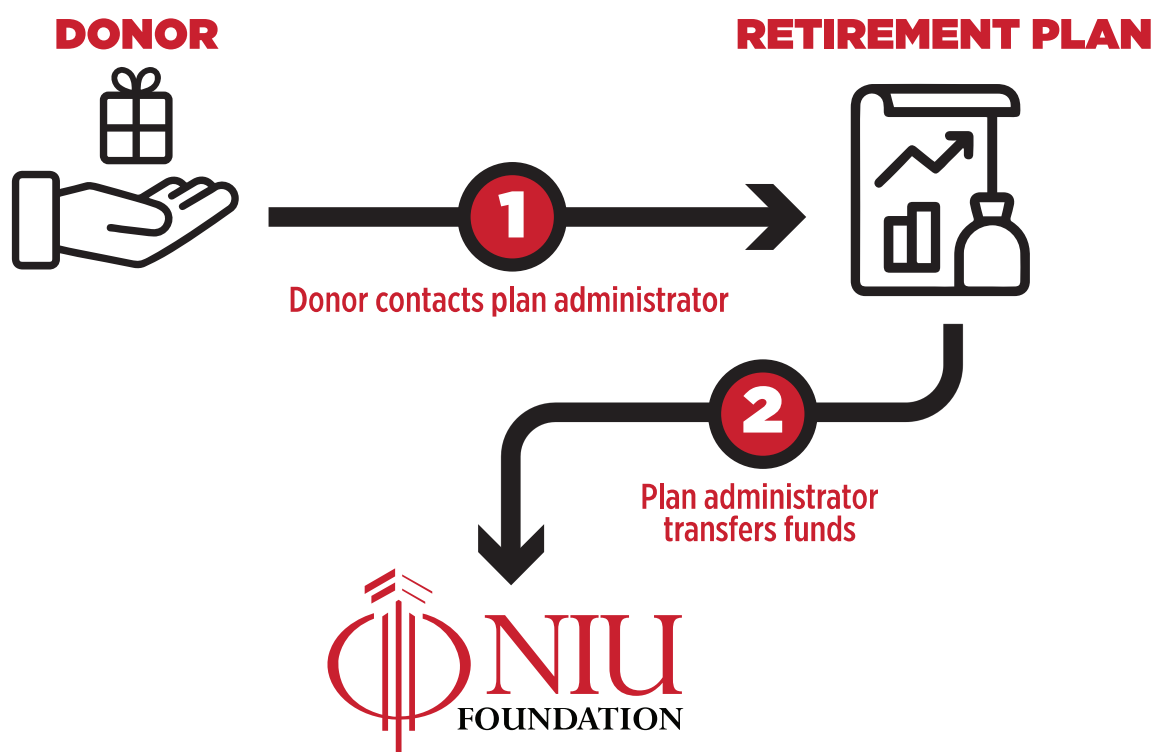
- Receive an immediate income tax deduction based on the fair market value of the property minus the present value of the retained life estate.
- Make a significant gift to NIU Foundation using what may be your most valuable asset without disturbing your living arrangements or cash flow.



# OUTRIGHT GIFTS



## QUALIFIED CHARITABLE DISTRIBUTION



### GIFT CATEGORY: Gifts for Immediate Support

#### SUMMARY:

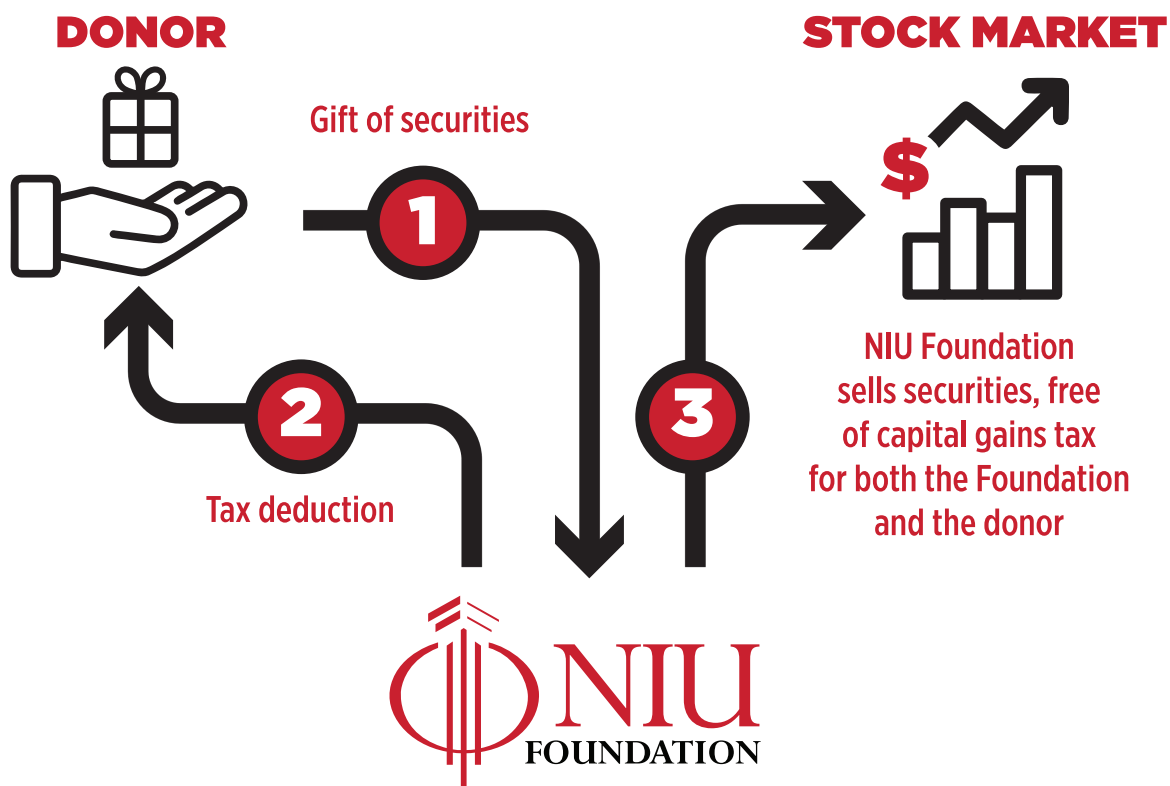
- Distributions to the NIU Foundation count towards your required minimum distribution for the year.
- Maximum allowable gift amounts vary each year. Visit the NIU Foundation Planned Giving website at: [gift-planning.niufoundation.org](https://gift-planning.niufoundation.org) for current maximums.
- To qualify as a QCD, the gift must come directly from your IRA. Your IRA administrator can either send the check directly to the NIU Foundation or send it to you, made payable to the Foundation, for you to forward.
- If you don't itemize your income tax deductions, a QCD offers all of the benefits of an itemized income tax charitable deduction.

#### BENEFIT:

- Tax liability is reduced as distributions are not recognized as donor income.



## STOCK & APPRECIATED SECURITIES



### GIFT CATEGORY: Gifts for Immediate Support

#### SUMMARY:

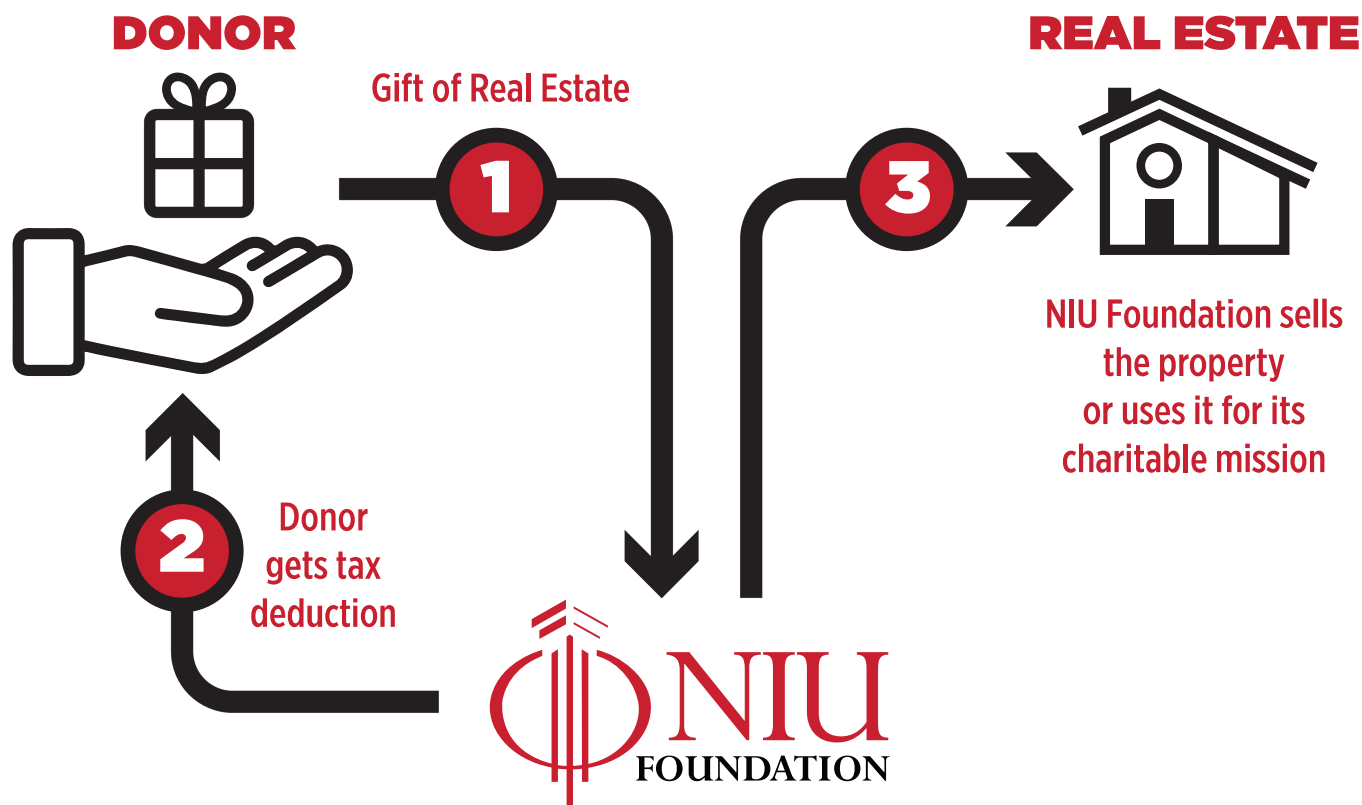
- Instead of cash, you can donate stocks, bonds, mutual funds, and other appreciated securities.
- Transfer is a simple notification to your financial advisor, and you provide them with the NIU Foundation tax identification number.
- The value of a gift of stocks or bonds is the average of the high and low prices for the security on the date it reaches the NIU Foundation account – if electronically transferred.
  - If securities, or proceeds of the securities, are mailed, then the value is based on the postmark date.
  - Beware using FedEx or UPS, as the date of the gift for tax purposes is based on the date the funds are received (signed for).
- Valuing mutual funds is based on its public redemption price on the day it reached the NIU Foundation account.

#### BENEFITS:

- Donor receives a charitable income tax deduction for the full appreciated value of the securities.
- Pay no capital gains tax on the transaction.
- After-tax cost is less than a gift of cash.



## REAL ESTATE



### GIFT CATEGORY: Gifts for Immediate Support

#### SUMMARY:

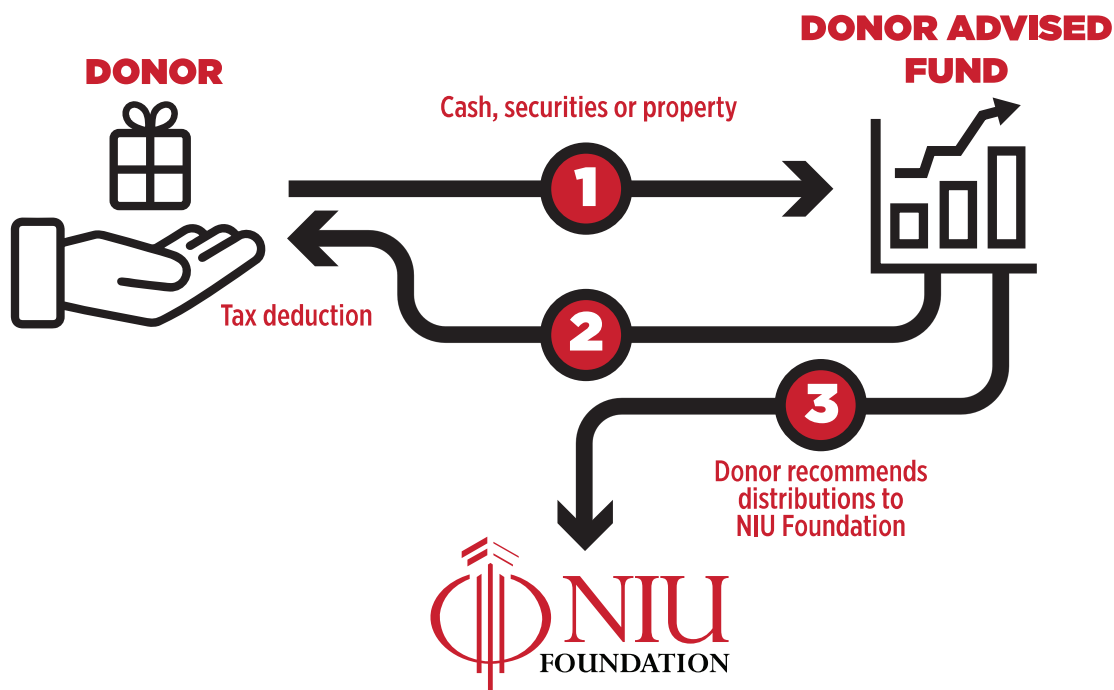
- Real estate may be used as an outright gift to the NIU Foundation.
- Real estate may be used to fund an income-generating gift (charitable trust or gift annuity).
- Real estate may be donated to charity via title transfer while you retain right to use property (retained life estate).
- A qualified appraisal must be completed before the donation can be made.

#### BENEFIT:

- Charitable deduction for the fair market value of real estate held longer than one year.



## DONOR ADVISED FUNDS



### GIFT CATEGORY: Gifts Anyone Can Make

#### SUMMARY:

- You advise on how the proceeds from the fund are to be used.
- You may create Donor Advised Funds with community foundations, the National Philanthropic Trust, or with the charitable arm of a brokerage firm such as Fidelity.
- You may make charitable gifts to the fund at any time during their lifetime.
- Upon death, a donor has three options:
  - Designate a successor — child, grandchild, friend, trusted advisor — to make future distributions.  
*\*Not all fund administrators allow for this.*
  - Allow the remaining funds to go to the sponsoring charity (i.e. the community foundation, national philanthropic trust, etc.) and be used according to its mission.
  - Designate the NIU Foundation (and/or other qualified 501(c)(3) organizations) to receive the remainder from the fund.

#### BENEFITS:

- Immediate tax deduction with flexibility to make grants at a later date.
- You maintain the ability to change the beneficiary (or beneficiaries).
- You may allow successors to change the beneficiaries.
- You can make grants to charities during the lifetime of the fund.

## THE PATH FORWARD

Some of you have given **outright** and are ready for a foundational gift.

Some of you have made a **foundational** gift and are ready for an income-generating gift.

Some of you have made an **income-generating** gift and are ready for an asset protection gift.

Some of you have made an **asset protection** gift and are ready for an outright gift.

As you go through the different stages, we're here to build your plan for your situation, whether now or in the future.

## WHERE DOES YOUR PLAN BEGIN?

This guide provides illustrations of planned gifts that benefit you and NIU.

For more information, contact the NIU Foundation Office of Planned Giving at (815) 753-1626, or e-mail [plannedgiving@niu.edu](mailto:plannedgiving@niu.edu)





**NIU**  
ALUMNI  
ASSOCIATION

TRAVEL  
PROGRAM,  
LLC

## COME JOIN THE PACK!

It's easy, it's safe and  
it's fun to share these  
experiences with  
likeminded Huskies.



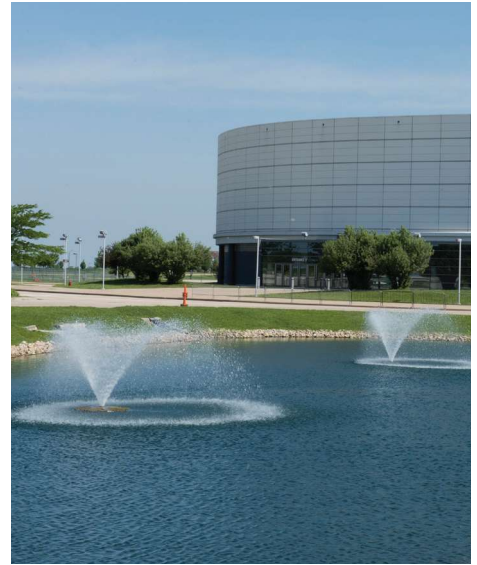
### WHY TRAVEL WITH NIU?

- Dedicated travel directors who speak the language.
- A group of amiable people who look out for one another.
- Safe, reliable transportation between every stop.
- Built-in leisure and free time.
- NIU staff assistance.
- Luggage handling.
- Inclusive pricing.

Scan here for more info



**QUESTIONS?** Email Andrea Hodgman,  
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OFFICE OF PLANNED GIVING

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